

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2014-399-WS - ORDER NO. 2015-341
MAY 14, 2015

IN RE: Joint Application of Carolina Water Service,)	ORDER APPROVING
Incorporated; United Utility Companies,)	MERGER AND
Incorporated; Utilities Services of South)	TRANSFER OF STOCK
Carolina, Incorporated; and Southland)	
Utilities, Incorporated for Approval of)	
Transfer of Stock and Merger)	

This matter comes before the Public Service Commission of South Carolina ("the Commission") on the Application of Carolina Water Service, Inc. ("CWS"), United Utility Companies, Inc. ("United"), Utilities Services of South Carolina, Inc. ("USSC"), and Southland Utilities, Inc. ("Southland"), (collectively the "Joint Applicants"), for approval of the transfer of the stock and subsequent merger, and the related transfer of water and sewer facilities, territories, and certificates of public convenience and necessity of United, USSC and Southland (collectively "the Transferees") to CWS. The Joint Applicants seek approval of this transfer in accordance with S.C. Code Ann. Regs. 103-504 and 103-704. Notice of this matter was given to the Joint Applicants' customers in accordance with the Commission's regulations and instructions. Notice has been provided to the Department of Health and Environmental Control and to the administrators of the cities and counties in which the Joint Applicants operate. Furthermore, notices of this Application were published in the *The Greenville*

News, The State, The Georgetown Times, The Herald, The Index Journal, and The Herald Journal.

The verified Application was submitted with exhibits listing the subdivisions served by each of the Joint Applicants, the proposed “Plan of Merger” to be filed with the Secretary of State, and a “South Carolina Business Units Consolidation Plan” (“the Consolidation Plan”). The latter offered an explanation of the Joint Applicants’ rationale for merging the companies, as well as a longer term view of how the newly consolidated company will serve its customers. The Application also requested that the newly formed company maintain the existing tariff structure of the Joint Applicants. In other words, the newly merged CWS would continue to bill former United, USSC and Southland customers according to their existing Commission-approved rates.

The Joint Applicants are represented in this matter by Charles L.A. Terreni, Terreni Law Firm, LLC, and Scott Elliott, Elliott & Elliott, P.A. The Office of Regulatory Staff (“ORS”) is represented by Jeffrey M. Nelson. At the Commission’s request, the Joint Applicants held an informal informational session for the public on February 26, 2015, in the Commission’s hearing room. The informational session was followed by a public night hearing held by the Commission. At the public hearing, the Commission admitted without objection the written public witness testimony of Mr. Don Long, a CWS customer from the River Hills subdivision in York County. Mr. Long argued that the merger would 1) result in higher rates for CWS customers, 2) promote the subsidization of what he termed “downstate” inefficient systems outside of York County, and 3) impede the acquisition of CWS by York County. Mr. Long

requested that the Commission exclude CWS's York County systems if the merger is approved. Two customers testified live at the public night hearing. Mr. Robert Studdard, a USSC customer from Richland County, testified that he attended the hearing to air concerns about fire hydrants in his neighborhood but that the company had addressed them at the informational hearing. Ms. Katherine Price, a CWS customer, testified that she believed that the merger would result in higher rates for CWS customers because the other Joint Applicants have higher rates.

An evidentiary hearing was also held on April 23, 2015, at the Commission's hearing room. The Commission heard testimony from Richard J. Durham, President of the Utilities, Inc. ("UI") South Carolina companies (the Joint Applicants) and Willie J. Morgan, P.E., Program Manager of the Water and Wastewater Department of the Office of Regulatory Staff.

Mr. Durham testified in favor of the proposed merger. Mr. Durham testified that the merger was being sought to achieve operational efficiencies by reducing corporate filings, a reduction in the number of rate cases filed by UI's subsidiaries, and the elimination of confusion among customers and vendors regarding the identity of the companies. Mr. Durham reiterated that this consolidation Application would not affect customer rates because the Joint Applicants' existing tariff structure would be kept in place. However, Mr. Durham acknowledged that the Joint Applicants believe that it would be advantageous for them and their customers if a uniform tariff was implemented at some time in the future, because a uniform tariff may help smooth the effect that major expenditures can have on customers' rates. Mr. Durham testified that

he believes that a uniform tariff could work to the benefit of all the Joint Applicants' customers in the long run. However, Mr. Durham acknowledged that a uniform tariff structure cannot be implemented without Commission approval, and stated that a decision as to whether to apply for a uniform tariff, or move towards a uniform tariff, would have to be made in the merged Company's next rate case. Under questioning, Mr. Durham stated that the company had had no contact from York County regarding a purchase of CWS operations in York County.

Mr. Morgan testified that the ORS does not oppose the proposed merger. Mr. Morgan also testified that customers' rates will not be immediately affected if the merger is approved, but that ORS expects a rate case to be forthcoming.

Having reviewed the evidence and testimony, the Commission makes the following findings of facts and reaches the following conclusions of law:

1. The Joint Applicants are wholly owned subsidiaries of Utilities, Inc., a corporation organized under the laws of the State of Illinois. Utilities, Inc. and its subsidiaries provide the Joint Applicants with management, operations, and financing support services.

2. After the merger, Utilities, Inc. will be the sole owner of the consolidated entity and will continue to provide support services to the consolidated entity.

3. CWS is a Delaware corporation authorized to transact business in the State of South Carolina that provides water and sewer service to the public for compensation in portions of Aiken, Beaufort, Georgetown, Lexington, Orangeburg,

Richland, Sumter, York and Williamsburg counties. CWS is a "public utility" as defined in S.C. Code § 58-5-10(4) and its operations are subject to the jurisdiction of the Commission pursuant to S.C. Code §§ 58-5-10, *et seq.* CWS's current schedule of rates and charges was approved in Commission Order No. 2014-516.

4. United is a South Carolina corporation that provides water and sewer service to the public for compensation in portions of Anderson, Cherokee Greenville, Greenwood, and Union counties. United is a "public utility" as defined in S.C. Code § 58-5-10(4) and its operations are subject to the jurisdiction of the Commission pursuant to S.C. Code §§ 58-5-10, *et seq.* United's current schedule of rates and charges was approved in Commission Order No. 2014-518.

5. USSC is a South Carolina corporation that provides water and sewer service to the public for compensation in portions of Abbeville, Anderson, Lexington, Richland, Saluda, Sumter and York counties. USSC is a "public utility" as defined in S.C. Code § 58-5-10(4) and its operations are subject to the jurisdiction of the Commission pursuant to S.C. Code §§ 58-5-10, *et seq.* (1976, as amended). USSC's current schedule of rates and charges was approved in Commission Order No. 2013-910.

6. Southland is a South Carolina corporation that provides water service to the public for compensation in portions of Lexington County. Southland is a "public utility" as defined in S.C. Code § 58-5-10(4) and its operations are subject to the jurisdiction of the Commission pursuant to S.C. Code §§ 58-5-10, *et seq.* Southland's current schedule of rates and charges was approved in Commission Order No. 2007-887.

7. The Joint Applicants have agreed, subject to Commission approval, to

a Plan of Merger to transfer their stock and that CWS will become the surviving entity. The merged company will continue to have the name "Carolina Water Service, Inc."

8. As the surviving corporation, CWS will succeed to all the rights, privileges, immunities, franchises and property of the absorbed corporations to include water and sewer systems, service territories, personal and business property, real property, easements, governmental authorizations (including the certificates of public convenience and necessity issued to each of the absorbed corporations by the Commission), National Pollutant Discharge Elimination System ("NPDES") permits and other permits, and certain other property necessary for the operation of the systems of the Joint Applicants.

9. The transfer of stock and subsequent merger is in the public interest. Customers of the consolidated entity will benefit from centralized operations, increased efficiency, and reduced regulatory expenses.

10. CWS will operate each of the subject water and sewer systems pursuant to the current schedule of rates and charges approved by this Commission for each of the Joint Applicants in the Commission orders referenced above.

11. All of the Transferees' customers will become customers of CWS; the Transferees will discontinue the provision of water and sewer service to the public and will no longer have authorized service territories or the related certificates of public convenience and necessity heretofore authorized to them by this Commission.

12. The service area that is authorized for CWS will consist of the consolidated service territories of each of the Joint Applicants.

13. The expected benefits of the Plan of Merger include increased administrative and regulatory efficiency and a reduction in the number of rate proceedings required for the Joint Applicants.

14. Approval of the merger will not affect customers' current rates. While the company may seek to consolidate its tariffs in the future, the issue is not before the Commission at this time.

15. In the absence of any such evidence, we have no reason to think that approval of the merger would have any impact on any sale of CWS's systems to York County, or any other government entity. The record does indicate that such discussions have not, thus far, been broached by York County.

Based upon the foregoing, it is in the public interest that the Plan of Merger and its resulting transfer of stock be approved.

IT IS THEREFORE ORDERED THAT:

A. The transfer of the stock and assets currently used to serve the customers of each of the Transferees including the water and sewer systems, territory, certificates, permits, powers and privileges to CWS, as set forth in the Plan of Merger, is approved as being in the public interest.

B. CWS shall operate the water and sewer systems currently owned and operated by the Transferees under the schedules of rates and charges currently approved for them by this Commission and is authorized to provide service in the service areas currently authorized for the Transferees.

C. Once the merger is complete, CWS shall charge rates to its customers

according to the tariffs currently in place for the merged companies; in other words, current CWS customers will pay according to the schedule in the CWS tariff, former United customers will continue to pay the rates according to the schedule in the United tariff, former USSC customers will continue to pay rates according to the schedule in the USSC tariff, and former Southland customers will continue to pay rates according to the schedule in the Southland tariff.

D. Upon completion of the merger, CWS shall file a revised performance bond in the appropriate amount pursuant to S.C. Code Reg. 103-512.3 et seq. and 103-712.3, and the Transferees may cancel their performance bonds.

E. Notice of approval shall be provided to the Department of Health and Environmental Control in accordance with the requirements of S.C. Code Reg. 103-504.

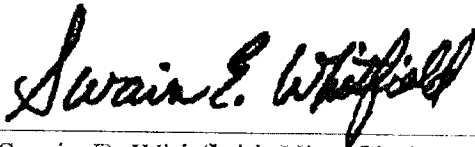
F. This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:



Nikiya Hall, Chairman

ATTEST:



Swain E. Whitfield, Vice Chairman

(SEAL)